FEB 3 1997

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE

In the Matter of:) Docket No. 97A-019
HUMANA INSURANCE COMPANY NAIC #62189) CONSENT ORDER
Respondent.	Ì
Examiners for the Arizona	Department of Insuran

ce ("the Department") have conducted a market conduct examination of ("HIC"), Humana Insurance Company also referred as "Respondent", covering the time period from November 1, 1991 to October 31, 1994. Based upon the examination results, it is alleged that HIC has violated the provisions of A.R.S. 88 20-297, 20-461 and 20-462, and A.A.C. 20-6-801. HIC wishes to resolve this matter without formal adjudicative proceedings and hereby agrees to a Consent Order.

The Director of Insurance of the State of Arizona ("the Director") enters the following Findings of Fact, and Conclusions of Law and the following Order.

FINDINGS OF FACT

- 1. HIC is authorized to transact disability insurance as an insurer pursuant to a Certificate of Authority issued by the Director.
- 2. The Examiners were authorized by the Director to conduct a market conduct examination of HIC. The on-site examination was completed on April 7, 1995 with the full cooperation of HIC.
- 3. HIC inadvertently failed to timely file its lists of agents for the years 1992, 1993 and 1994.

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- 4. The Examiners reviewed 131 of 78,550 Arizona PPO Commercial paid claims. Of these:
- a. HIC inadvertently failed to accept or deny 22 claims (16.8%) within 15 working days.
- b. HIC inadvertently failed to pay interest on seven claims (5.3%) which were not paid with 30 days of receipt of an acceptable proof of loss.
- 5. The Examiners reviewed 134 of 21,802 Arizona PPO Commercial denied health claims. Fifteen claims were denied because information necessary to adjudicate the claim was not received from the claimant. HIC inadvertently failed to accept or deny 13 of the remaining 119 denied claims (10.9%) within 15 working days.
- 6. The Examiners reviewed 350 of 394,620 Arizona Medicare Supplement paid claims. HIC inadvertently failed to accept or deny nine claims (2.6%) within 15 working days of receipt of properly executed proofs of loss.
- 7. The Examiners reviewed 194 of 177,509 Arizona Medicare Supplement denied claims. HIC inadvertently failed to accept or deny seven claims (3.6%) within 15 working days of receipt of properly executed proofs of loss.

CONCLUSIONS OF LAW

- 1. By not timely filing its list of agents for the years 1992, 1993 and 1994, HIC violated A.R.S. 20-297.
- 2. By not accepting or denying claims within fifteen working days of properly executed proofs of loss, HIC violated A.A.C. R20-6-801(G)(1)(a) and A.R.S. § $20-461(\Lambda)(5)$.

3. By not paying interest on claims which were not paid within 30 days after receipt of acceptable proofs of loss which contained all information necessary for claim adjudication, HIC violated A.R.S. § $20-462(\Lambda)$.

4. Grounds exist for the entry of all provisions of the following Order.

ORDER

IT IS ORDERED THAT:

- 1. HIC shall cease and desist from not:
- a. filing its list of agents with the Department prior to January 30th of each year;
- b. notifying first party claimants of the acceptance or denial of their claims within 15 working days after the receipt of properly executed proofs of loss;
- c. paying interest to insureds on claims not paid within 30 days after the receipt of an acceptable proof of loss which contains all information necessary for claim payment;
- 2. Within 90 days of the filed date of this Order, HIC shall submit written action plans to the Director to monitor Arizona issued policies to ensure that its personnel transact the business of insurance and adjust and pay claims in accordance with Arizona laws and regulations; specifically, as to the issues listed in Item 1b and 1c above.
- 3. HIC has paid interest to the claimants listed in Exhibit 1 of the Report of Examination, attached hereto and made a part hereof. A list of payments, giving the name and address of each party paid, the claim amount on which the interest was calculated, the amount of interest paid, and the date of

payment, shall be furnished to the Market Conduct Examination Division of the Department within 90 days of the filed date of this Order.

- 4. The Department shall be permitted, through an authorized representative, to verify that HIC has complied with all provisions of this Order. The Director may separately order HIC to comply with this Order.
- 5. HIC shall pay a Civil Penalty of FOUR THOUSAND THREE HUNDRED DOLLARS (\$4,300.00) to the Director for remission to the State Treasurer for deposit in the State General Fund in accordance with A.R.S. § 20-220(B). Said amount shall be provided to the Market Conduct Examinations Division of the Department on or before the entry of this Order.
- 6. The Report of Market Conduct Examination as of October 31, 1994, and any objections to the Report submitted by HIC, shall be filed with the Department upon acceptance by the Director of this Consent Order.

DATED at Phoenix, Arizona this 31 day of amount, 1997.

John A. Greene Director of Insurance

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CONSENT TO ORDER

- 1. Respondent Humana Insurance Company has reviewed the attached Consent Order.
- 2. Respondent is aware of its right to a hearing at which hearing it may be represented by counsel, present evidence and cross-examine witnesses. Respondent has irrevocably waived its right both to demand a public hearing and to seek judicial review of this Order.
- 3. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona, and consents to the entry of this Consent Order.
- 4. Respondent neither admits or denies the allegations of this Consent Order.
- 5. Respondent states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.
- 6. Respondent acknowledges that the acceptance of this Order by the Director of Insurance, State of Arizona, is solely to settle this matter against it and does not preclude any other agency or officer of this state or subdivision thereof from instituting other civil or criminal proceedings as may be appropriate now or in the future.
- of Vice President of Humana Insurance Company, is authorized to enter into this Order for and on its behalf.

1/24/97 (Date)

By Jealy Vine President

HUMANA INSURANCE COMPANY

COPY of the foregoing mailed/delivered 1 this 3rd day of February , 1997, to: 2 Charles R. Cohen Deputy Director 3 Gregory Y. Harris Executive Assistant Director 4 Erin H. Klug Chief Market Conduct Examiner Market Conduct Examinations Division Mary Butterfield Assistant Director Life & Health Division Deloris E. Williamson Assistant Director 8 Rates & Regulations Division Gary Torticill 9 Assistant Director and Chief Financial Examiner Corporate & Financial Affairs Division 10 Cathy O'Neil Assistant Director 11 Consumer Services Division John Gagne 12 Assistant Director Investigations Division 13 Terry Cooper Fraud Unit Chief 14 DEPARTMENT OF INSURANCE 15 2910 North 44th Street, Suite 210 Phoenix, AZ 85018 16 Craig H. Reynolds 17 Director, Product Compliance Humana, Inc. 18 P.O. Box 1438 Louisville, Kentucky 19 40201-1438 20 21 22 23 24

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HUMANA INSURANCE COMPANY

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PPO - PAID CLAIMS

	Interest Due \$.45			1.28	1.43		.63	2 08		4.53			2.00	
Violations of	A.R.S. 20-462(A)	yes			yes	yes	1	yes	0 0 2	as I	yes			ves	,
A.A.C.	4-1 G) (yes	yes yes	yes	Yes	yes	Yes	Yes	Yes	yes	yes	yes ves	Ves	yes	Yes
	of Days <u>Calen.</u>	31			36	45		59	36		88			98	
	Number Work	23	21 18	22 19	25 19	32	24 19	43	49 25	18	60	18	20	28	18
	Date <u>Paid</u>	09/14/93 02/13/93 05/06/93	7/14/9/29/	3/22/9 9/17/9	8/02/9	7/30/9	8/04/9 0/16/9	1/11/9	1/09/ 7/13/	9/21/9	09/20/93	7/18/9	5/02/	1/0	02/22/94
	Date <u>Rec'd</u>	08/20/93 01/13/93 04/06/93	6/14/9 9/02/9	2/21/9 8/30/9	6/27/9 9/01/9	6/11/9	6/30/9 9/21/9	9/13/9	8/30/9 6/01/9	8/25/9	6/24/96/14/9	6/21/9	4/04/9	0/11/9	1/27/9
	Claim Number	323210901 301303284 309625891	1650052 2450080	0520458 2421230	1780661 2406384	1660226	1810027 2640447	2560439	2430937 1580800	2370340	1370729 1650765	1720535	1010061	2850300	0270272

EXHIBIT

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